



Public School Employees' Retirement Board

Board Meeting Minutes

Friday, December 16, 2022

Call to Order: Chair Christopher Santa Maria called the meeting to order at 10:10 A.M. from the PSERS Board Room and via MS Teams.

Board Members Present:

Christopher Santa Maria, Chairperson	Rep. Torren Ecker	Sen. Katie Muth
Vacant, Vice-Chairperson	Treas. Stacy Garrity	Joe Torsella
Eric Dice for Rep. Matt Bradford	Patrick Lord for Sec. Eric Hagarty	Alan Flannigan for Sec. Richard Vague
Jason Davis	Susan Lemmo	Melva Vogler
Eric DiTullio	Ann Monaghan	<i>Absent – Nathan Mains</i>

Others Present:

James Bloom	Lloyd Ebright	Jill Vecchio
Christopher Craig	Eric Pistilli	Mark Brubaker, Verus

Staff Present:

Peter Camacci	Beverly Hudson	Terri Sanchez
Brian Carl	Joe Indelicato	Letitia Schubauer
Tivia Danner	Carl Lantz	Angie Turri
Bob Devine	Jennifer Mills	Laura Vitale
Mei Gentry	Susan Oh	
Liz Goldstein	Melissa Quakenbush	

9.1 Roll Call

Terri Sanchez took roll and confirmed Board member quorum.

9.2 Acceptance of Published Agenda or Amendments

Christopher Santa Maria asked for a motion to accept the published agenda. Eric DiTullio moved, with Jason Davis seconding. The motion passed, with one absent being Nathan Mains.

9.3 Approval of Minutes from October 21 and November 15, 2022

Christopher Santa Maria asked for a motion to approve the October 21 and November 15, 2022 minutes. Melva Vogler moved, with Eric DiTullio seconding. The motion passed with one absent being Nathan Mains.

9.4 Recognition of Board Trustees

2022-83 PSERB Resolution Re: Board Trustee Melva “Mel” S. Vogler

Whereas Melva “Mel” S. Vogler is retiring from the Board of Trustees of the Public School Employee’s Retirement System (PSERS) after 28 years of service, a tenure that overlapped the terms of five Pennsylvania Governors and 14 General Assembly sessions; and

Whereas Ms. Vogler has served with distinction in many capacities, including as an elected representative for PSERS active certified members (1994-2013), the elected representative for PSERS retired members (2014-2022), and as the elected PSERS Board Chair (2007-2019); and

Whereas Ms. Vogler, relying on her skills, experience, and passion as a Wallenpaupack Area School District mathematics teacher and department chair, and as a Pennsylvania State Education Association union leader, held firm to her statutory Board duty to *stand in a fiduciary relationship to the members of the system ...*; and

Whereas Ms. Vogler served as a strong advocate for Board independence, collegiality, and continuing education opportunities for Trustees and PSERS Staff; and

Whereas Ms. Vogler's dedication was further evidenced by her estimated 97% attendance rate at approximately 1,200 public Board and Committee meetings; and

Whereas Ms. Vogler's commitment also manifested itself in the extra time she spent at other PSERS functions, such as the annual Staff Recognition Program in Harrisburg; and

Whereas Ms. Vogler championed the financial and societal benefits of public pensions for all as a past President of the National Council on Teacher Retirement (NCTR) and a member of the NCTR Legislation Committee.

Now therefore **RESOLVED**, that PSERS Board of Trustees hereby thanks and expresses their deep appreciation for her dedicated service to PSERS and offers best wishes for a well-deserved retirement.

Jason Davis moved, with Susan Lemmo seconding. The motion passed with one absent being Nathan Mains.

Christopher Santa Maria took the opportunity to also share Pennsylvania House of Representatives Citation awarded to Melva Vogler.

Several Board members provided comments of appreciation to Melva Vogler.

9.5 Introduction of Guests and Public Comment

Terri Sanchez introduced Eric Epstein and Brian Kimmet from Rock the Capital. Mr. Epstein provided comments as follow up to comments made during the Finance and Actuarial Committee meeting held on December 16, 2022.

9.6 Old Business

9.6.1 Executive Session not held.

9.6.2 Chief Investment Officer Update

Christopher Santa Maria stated, "I'd like to thank the members of the Ad Hoc Committee under the leadership of Sue Lemmo in completing the important work of reviewing and interviewing preliminary candidates for Chief Investment Officer. The Committee presented very qualified finalists for the Board's review.

I would like to publicly report that the full Board met in Executive Session on Wednesday, December 14, 2022, beginning at 1pm for the purposes of interviewing final candidates.

At this time, there are no action items."

9.7 New Business

9.7.1 Update on 2023 Committee and Board Meetings

Terri Sanchez opened a discussion related to the scheduling of 2023 PSERB Meetings. Ms. Sanchez updated the Board on Committee Liaisons to work with Committee Chairs on the frequency and timing of Committee meetings. Dates for remaining meetings to be presented and approved at the January organizational meeting at the January 20, 2023 organizational Board meeting.

9.8 Committee Reports

9.8.1 Audit, Compliance, and Risk Committee

Treas. Stacy Garrity reported the following from the Committee meeting held on December 15, 2022.

The Committee approved the minutes of the October 20 and November 3, 2022, meetings.

The Committee elected Rep. Torren Ecker to the Committee Vice-Chair position.

The Committee received updates on the Internal Audit Plan, and the Investment Compliance Program.

The Committee met in Executive Session to discuss the Investment Compliance Review Report; Enterprise Risk Management Results Review; Death Related Overpayment Receivable Assessment; Fund Authorization Process Review; Management Action Plan (MAPs) Updates; and HOP/PDP Compliance Status Updates.

The Committee passed the following motions:

Motion Regarding Investment Compliance Report

The Audit, Compliance, and Risk Committee of the Public School Employees' Retirement Board (the "Board") moves to accept the Investment Compliance Review Report Addendum and the Investment Compliance Review Report, Dated November 22, 2022 as presented by Alicia E James, Investment Compliance Manager and Constellation Advisers, LLC.

Jason Davis moved, with Alan Flannigan seconding. The motion passed with one absent being Nathan Mains.

Motion Regarding Fund Authorization Process Review Report

The Audit, Compliance, and Risk Committee of the Public School Employees' Retirement Board hereby receives for filing in the records of the Agency the Fund Authorization Process Review Report, as presented by the Internal Audit Office.

Jason Davis moved, with Alan Flannigan seconding. The motion passed with one absent being Nathan Mains.

9.8.2 Ad Hoc Committee

Susan Lemmo reported the following from Committee meeting held on December 15, 2022.

The Committee amended the agenda to remove discussion related to Chief Investment Officer

The Committee approved the minutes of the October 17 and November 7, 2022, meetings.

The Committee held Executive Sessions on October 25 and October 26, 2022 for the purpose of completing preliminary interviews of Chief Investment Officer.

The Committee meeting resulted in no action items.

9.8.3 Health Care Committee

Susan Lemmo reported the following from the Committee meeting held on December 15, 2022

The Committee approved the minutes of the October 17, 2022, meeting.

The Committee heard a report from Peter Camacci on the 2023 Proposed Health Options Program (HOP Admin & PDP) Budgets.

The Committee heard a report from Melanie Clark from Segal regarding the Inflation Reduction Act (ACT) and from Peter Camacci on contract renewals.

Action Items –

Resolution 2022-84 Re: Health Options Program Budget 2023

Resolved, that the Public School Employees Retirement Board hereby adopts the proposed Health Options Program Budget and two supplemental budgets for the sponsor's Administrative and Medicare Prescription Drug Program for the Plan Year 2023 in the aggregate amount of \$503,507,000 as recommended by Peter Camacci, Director of the Health Insurance Office, in the memo dated November 28, 2022.

Susan Lemmo moved, with Jason Davis seconding. The motion passed with one absent being Nathan Mains.

9.8.4 Benefits and Appeals Committee

Melva Vogler reported the following from the Committee meeting held on December 15, 2022.

The Committee approved the minutes of the October 20, 2022, meeting.

The Committee moved on the following Adjudications:

Account of Scott, M., [Docket No. 2022-11], to deny Petitioner's request to intervene, which passed unanimously.

Account of Hilbert, J., [Docket No. 2021-07], to approve the Hearing Examiner's opinion and dismiss claimant's appeal with prejudice, which passed unanimously.

Account of Henry, S., [Docket No. 2019-07], to approve the Hearing Examiner's opinion and deny the claimant's request to purchase non-qualifying part-time service, which passed unanimously.

The Committee reviewed Executive Staff Review Committee Report (ESRC) for October 14, 2022.

9.8.5 Defined Contribution Committee

Alan Flannigan reported the following from the Committee meeting held on December 15, 2022.

The Committee approved the minutes of the October 20, 2022, meeting.

The Committee elected Rep. Torren Ecker to the Committee Vice-Chair position.

The Committee heard a report from Jennifer Mills regarding the Q3 2022 review.

The Committee meeting resulted in no action items.

9.8.6 Governance and Administration Committee

Eric Dice reported the following from the Committee meeting held on December 15, 2022.

The Committee approved the minutes of the October 20, 2022, meeting.

The Committee received an update on the status of the Board election results.

Mr. Dice stated, *“As Chairman of the Governance and Administration Committee, pursuant to the Board’s Election Procedures and Guidelines Policy, I present the results of the Retiree Board seat election conducted by our independent election vendor, YesElections.*

Balloting was conducted from November 1, 2022 through 5:00 PM on December 6, 2022. Approximately 233,000 ballots were sent by the election vendor, with instructs allowing voting by internet, telephone, and mail. Upon the close of balloting on December 6, 2022, the election vendor tabulated the results and provided its certified results on December 8, 2022.

Susan C. Lemmo received 23,451 votes, Russell James Diesinger received 15,496 votes, and James P. Hoover received 9,140 votes, making Susan C. Lemmo the winning candidate. A copy of the certified results is submitted with this report for inclusion in the Board Minutes.

All candidates will be notified of the results in writing following the Board meeting.

Ms. Lemmo’s three-year term will commence on January 1, 2023, and end December 31, 2025.”

Executive Director and Board Secretary Terri Sanchez certified the results.

The Committee reviewed the Chief Compliance Officer position, discussed a cost of living adjustment for the Executive Director, and received an update on the planning to continue efforts to review the Policy manual or Investment Professional Staff.

Action Item –

Resolution 2022-85 Re: COLA Adjustment

RESOLVED, that the Public School Employees Retirement Board approves the Cost of Living Adjustment of 7.8% for the Executive Director as proposed by the Office of Administration.

Melva Vogler moved, with Alan Flannigan seconding. The motion passed with one absent being Nathan Mains.

The Committee discussed the draft Board Deliberation Policy.

The Committee heard an update from Deputy Executive Director of Administration Bev Hudson regarding several operational initiatives.

Christopher Santa Maria stated under Bylaws 4.4 *To Fill Vacancies on Standing Committees*, Brian Reiser, Elected Active Member effective January 1, 2023 will be assigned to the Benefits and Appeals Committee, Governance and Administration Committee, and Finance and Actuarial Committee. Ann Monaghan will be moved up to the Chair of Benefits and Appeals Committee effective January 1, 2023 as result of Melva Vogler’s’ departure. The Benefits and Appeals Committee will elect a Vice-Chair at the January Committee meeting.

9.8.7 Investment Committee

Jason Davis reported the following from the Committee meeting held on December 15, 2022.

The Committee amended the agenda to remove discussion related to Investment Policy Statement.

The Committee approved the minutes of the October 21 and December 7, 2022, meetings.

The Committee heard from Bob Devine who presented the Investment Office Dashboard.

The Committee received presentations regarding Asset Class Reviews, Internal Fees, Non-Traditional Fees, and CEM Fees.

The Committee met in Executive Session to discuss confidential provisions of proposed discussion items and receive an update on the direct real estate.

The Committee received an Asset Class Review on Traditional Investments for Foreign Currency Hedging, Strategic Implementation Portfolio, and Internally-Manages Tail risk Mitigation.

The Committee heard from Aon regarding Stress Test and Liquidity Analysis Overview.

Action Items –

Resolution 2022-86 Re: AG Europe Realty Fund IV, L.P.

RESOLVED, that the Public School Employees Retirement Board hereby commits an amount not to exceed \$115 million plus reasonable and normal investment expenses, to AG Europe Realty Fund IV, LP, and/or related investment vehicles, in accordance with the recommendation of Jarrett B. Richards, Senior Investment Professional, and Hamilton Lane. The final terms and

conditions of the investment must be satisfactory to the Investment Office, the Office of Chief Counsel, and the Office of Executive Director, as evidenced either by the appropriate signatures on, or by a memo to that effect appended to, the implementing investment contract.

Jason Davis moved, with Eric DiTullio seconding. The motion passed with one absent being Nathan Mains, and one abstention being Sen. Katie Muth.

Resolution 2022-87 Re: Bell Value-Add Fund VIII, L.P.

RESOLVED, that the Public School Employees Retirement Board hereby commits an amount not to exceed \$150 million plus reasonable and normal investment expenses, to Bell Value-Add Fund VIII, L.P. and/or related investment vehicles, in accordance with the recommendation of Melissa A. Quackenbush, Senior Portfolio Manager and Hamilton Lane. The final terms and conditions of the investment must be satisfactory to the Investment Office, the Office of Chief Counsel, and the Office of Executive Director, as evidenced either by the appropriate signatures on, or by a memo to that effect appended to, the implementing investment contract.

Jason Davis moved, with Eric DiTullio seconding. The motion passed with one absent being Nathan Mains, and one abstention being Sen. Katie Muth.

Resolution 2022-88 Re: Investment Committee Resolution

RESOLVED, that the Public School Employees Retirement Board hereby approves that the appraisals of the Harrisburg properties be accepted for inclusion in financial statements. In compliance with Resolution 22-35, the release of the results of the appraisals at the time of settlement of purchase will be made public on the PSERS website. The release of the results of the appraisals made as of June 30, 2022, to the public at this time could impair the value and marketability of the investments. Therefore, consistent with section 8502 of the Public School Employees' Retirement Code, confidentiality of such appraisals will be maintained while the Investment Office underwrites a hold or sale of the Harrisburg properties.

Jason Davis moved, with Alan Flannigan seconding. The motion passed with one absent being Nathan Mains, and one abstention being Sen. Katie Muth.

9.8.8 Finance and Actuarial Committee

Eric DiTullio reported the following from the Committee meeting held on December 16, 2022.

The Committee approved the minutes of the October 20, 2022, meeting.

The Committee elected Joe Torsella to the Committee Vice-Chair position.

The Committee heard a presentation on the Actuarial Valuation Results and Certification of the FY2023-24 Employer Contribution Rate (ECR), and the Pensions Funding and Employer Contribution Rates and the Annual Comprehensive Financial Report (ACFR) and September 30, 2022 Financial Statements.

The Committee held an Executive Session to discuss a Tax Compliance Matter.

Action Items –

Resolution 2022-89 Re: FY2023-24 Employer Contribution Rate

RESOLVED, that the Public School Employees' Retirement Board hereby adopts the actuarial factors, assumptions, and methodologies contained therein, which result in an employer contribution rate of 34.00% for Fiscal Year July 1, 2023 through June 30, 2024.

Eric DiTullio moved, with Jason Davis seconding. The motion passed with one absent being Nathan Mains, and one abstention Sen. Katie Muth.

9.9 Office of Chief Counsel

Executive Session

At 11:03 A.M., Terri Sanchez, Executive Director, stated "In accordance with Section 5.13 of the Bylaws of the Public School Employees' Retirement Board and Section 708(a) of the Sunshine Act, we are going into Executive Session for **Updates on Pending and Potential Litigation**, which, if conducted in public would violate a privilege or lead to the disclosure of information or confidentiality protected by law."

Eric DiTullio moved, with Jason Davis seconding. The motion passed with one absent being Nathan Mains.

Regular session resumed at 11:49 A.M.

9.10 Executive Director Report

Terri Sanchez presented the Executive Director's Report through a slide deck, which included:

Welcoming new employees, Jeanette Riedel, Daniel Browne, Clarinda Stoner, Brett Lane, Dylan Rivera, Scott Sebastian, Muhammad Jawad, Derrik Brown, and Amy Hemphill.

An update on the Board Information Officer position, the Director of Governance and Strategic Initiatives position, and the Director of Government Affairs and Stakeholder Engagement position.

An acknowledgement that PSERS received a Certificate of Recognition from CEM "for submitting one of the cleanest CEM pension administration benchmarking surveys on a timely manner".

PSERS 19th annual Recreation Association Holiday Gift Project which benefited the Dauphin County Children & Youth and Tremont Nursing Home.

PSERS participation in the SECA campaign resulting in \$38,853 raised from 67 PSERS employees. This year introduced the 1st Virtual Talk with Terri Sanchez and Career Coaching with Jennifer Mills.

Ms. Sanchez provided comments of Melva Vogler's service at PSERS, and her recognition of all the education, mentoring, and insight Ms. Vogler provided to Ms. Sanchez and her Board member peers.

9.11 Board Member Comments

Christopher Santa Maria provided some highlights from 2022:

- In January, we concluded our nine-month investigation into the risk-share miscalculation of 2020 and learned from it.
- In March, we took action to remove our investments, albeit small relative to the overall fund, from Russia and Belarus in response to the atrocities committed against Ukraine.
- This past spring, we transitioned to new leadership in the positions of Executive Director, Chief Counsel and soon Chief Investment Officer. We accepted the study of our governance and policies by the Funston Group and began implementation of best practice reforms, including: restructuring of board committees, an enterprise risk management report and developing a new Chief Compliance Officer position.
- This fall, we were happy to report that PSERS had a net positive return for fiscal year 2021-22 when our peers averaged over 5% net losses for the same period, putting us in the top percentile of fund performance.
- Today, we are able to end the year by lowering – lowering – the employer contribution rate by 126 basis points, which will save school districts across the Commonwealth millions of dollars.
- In summary, PSERS is poised to enter the New Year in a better position than last year and with the pieces in place to keep the promise to our members and become a leader among large public pensions.

Susan Lemmo thanked the PSERS annuitants for giving her the opportunity to serve them as their elected Trustee in the future, and she promised to represent them well. Ms. Lemmo also expressed her condolences to family and friends of Dr. James Patrick Hoover, a teacher at Beaver Area School District, an administrator at West Allegheny School District, and CEO of PA Distance Learning Charter School in Sewickley.

Melva Vogler allowed comments by Carl Lantz, Investment Staff Member who joined PSERS in 2020. He met Ms. Vogler at the January Board meeting and mentioned her PSERS association with his parents, who informed Mr. Lantz that Ms. Vogler was their math teacher in 1962. Ms. Vogler expressed her gratitude for PSERS participation and took the honor of motioning for adjournment for the last time.

Adjournment

Without objection, the Board meeting adjourned at 12:06 P.M.

Next Meeting

The next regularly scheduled meeting of the Public School Employee's Retirement Board will be held January 20, 2023, via MS Teams and in-person at PSERS' Headquarters, 5 North 5th Street, Harrisburg, PA.